

## Minutes and Actions Arising from Meeting No.8 Held on 11<sup>th</sup> November 2002 White Hall Hotel, London

### Present:

Malcolm Taylor	MT	Acting Chairman
David Lane	DL	Clear Energy
Dick Cecil	DC	London Electricity Group
Hugh Conway	HC	Energywatch Representative
John Capener	JC	British Energy
Barbara Vest	BV	RWE Trading Direct
Steve Drummond	SD	EDF Trading
Phil Lawton	PL	National Grid
Richard Dunn	RD	Secretary

### In Attendance:

Ian Topliss	IT	Edison/Mission Energy
Danielle Lane	DL	British Gas
Kristian Myhre	KM	Ofgem

## 1 Introductions/Apologies for Absence

1. Apologies were received from Charles Davies and Richard Court (National Grid), David Tolley (Innogy), Nigel Cornwall (Cornwall Consulting), Phil Russell (TXU Europe), Keith Miller (Enron Europe), Mike Harrison (Scottish Power), Nick Frydas (EDF Trading), Jan Devito (Jade Energy), Peter Clubb (GDF), Simon Lord (Edison/Mission Energy) John Stewart (Campbell Carr), Paul Jones (PowerGen) and Simon Goldring (British Gas).
2. MT explained that there were three more meetings of the Group (today, 22/11/02 & 6/12/02) scheduled before the CUSC Panel meeting on 13 December. He proposed that the Group consider the following issues at this meeting :
  - generator issues refining the Strawman proposals,
  - Ofgem's consultation paper on SO incentives and a summary of NGC's response; and
  - Interconnector Issues
3. Demand side issues should be the focus on 22 November and finalisation of the Group's Report to the CUSC Panel on 6<sup>th</sup> December. The Group would also need to spend some time considering the additional issues remitted to it by the CAP043 Working Group. The meeting AGREED this approach.

## 2 Minutes of the meetings held on 14/10/02 and 5/7/02

4. The minutes of the meeting held on 14/10/02 were agreed subject to minor amendments. It was AGREED that the minutes of the meeting held on 14/10/02 could now be placed on the CUSC website.

5. The minutes of the meeting held on 5/7/02 were discussed and outstanding actions identified:

Minute 108 (Intertrip Compensation). Charles Davies had agreed to consider these issues further. **Action ongoing**

Minute 110 (Planning Methods of National Grid and Transco). RF had offered to try to establish why there were differences between the planning regimes for gas and electricity. KM agreed to remind RF of this action. **Action ongoing**

### **3 Report to the Panel Meeting held on 25/10/02**

6. MT briefly reported on the outcome of the Panel discussion on the Group's second report on 25 October and the Panel's agreement that the Group should aim to provide a final report to the Panel's December meeting.

### **4 Matters for Discussion**

- **Consideration of Strawman A - Generator Issues**

7. The Acting Chairman tabled an assessment of the Strawman proposals on generation in the context of the five questions set out in Appendix 1 of the TASG Report to the October CUSC Panel. He explained that he had tried to develop a template approach for the assessment which could also be applied to the other outstanding areas of work such as the demand side. The Group discussed changes to the assessment as follows under the headings addressed:

#### **1. How should rights be defined?**

8. The proposed definitions of the access right and the right to compensation in the event of breach of such right were considered. It was AGREED that access should be defined on the basis of the right to export or transfer up to 1MW during the year from the entry point on to the system. Reference to exit points in the definition should be avoided as this would entangle the definition in demand side issues. It was also AGREED that the definition also needed to refer to the duration of rights and the issue of optionality over future rights.

#### **2. Who buys and sells and trades these rights?**

9. Issues concerning the extent to which traders and brokers could participate in the access market were considered. It was noted that if the burden of the assessment of the risk associated with particular access rights for specific durations rested with the buyer then this should avoid any need for complex settlement arrangements. Another approach to avoid complex settlement arrangements might be to place restraints on trading. Other issues considered included:

- the extent to which traders and brokers might create constraints on the system through their action (or inaction). It was noted that trading arrangements which were limited to brokers would be much more straightforward;

- administered versus market determined prices for access;
- whether rights should be extended to allow "evergreen" rights and whether rights should be backed up by proof of physical capacity;
- whether there should be "use it or lose it" provisions as in the gas market trading arrangements;
- whether symmetrical trading rights for generators and suppliers was possible;
- potentially "liquid" and "illiquid" zones of access trading and whether the trading arrangements should include measures to ensure liquidity;

### **3., What are the consequences of breaching?**

10. The tabled assessment indicated that there were two key examples of breach - by a service provider and by a CUSC Party and this was generally agreed. HC raised the issue of breach by the service provider resulting in lost demand and consequential losses for the customer but it was agreed that these issues were outwith transmission access and any associated trading arrangements.

### **4. Who are the players & what are their contractual relationships?**

11. Two main relationships were identified in the tabled assessment - NGC/Licensed Party and NGC/Unlicensed Party. It was agreed that NGC/Unlicensed Party would be the most difficult relationship and MT would consider more helpful way of describing this.

**Action: MT**

### **5. NGC Investment Decisions**

12. It was agreed that these issues should be considered under the Ofgem consultation document (next item).

### **6. Appendices**

13. It was agreed that the comments section of the assessment considering the short and long term benefits from transmission access should also refer to the situation where recipients enjoying negative charges default on their responsibilities and that a key requirement for access arrangements should be simplicity of administration.
14. The Group AGREED that the tabular assessment approach should be adopted for each area of work and that MT should refine the generation assessment in the light of comments and circulate to the Group Members before the next meeting. MT also agreed to provide the assessment template approach to those Members involved in developing potential supply side arrangements.

**Action: MT/RD**

- **Ofgem consultation document - NGC System Operator Incentive Scheme 2003/04 - 2005/06 (issued 17/10/02)**

15. PL tabled a summary of NGC's response to this consultation paper issued by Ofgem and discussion concentrated on the issues raised in NGC's response. In response to a question from MT, PL explained that NGC believed the obligation on NGC to provide incremental rights to market participants required clarification since NGC was not prepared to bear the planning consent risk involved with construction of new transmission lines in the context of generation projects. He also explained that NGC's reference to "arbitrary cost

allocation problems" in the response was a reference to the difficulties that would result from unbundling transmission related constraint costs and the remainder of balancing costs.

16. The Group also discussed other aspects of the response including NGC's view that all incremental transmission system investment could not be based on the incentive signals envisaged by Ofgem in the consultation document (for example due to the "lumpy" nature of transmission investment)
17. It was noted that the consultation document promised a further letter from Ofgem at the end of November.

- **Interconnector Issues**

18. SD tabled six slides that developed the thinking on the application of transmission access arrangements to Interconnectors. SD explained that the first two slides summarised current issues that need to be addressed. The third examined the issues for Interconnectors arising from the Strawman proposals and the SO incentive proposals from Ofgem. The key overall message emerging was that long term investment in Interconnectors should not be affected by the transmission access arrangements emerging, provided that there were long term access rights available. He also suggested that consideration should be given to the idea that Interconnectors could be subsumed within the adjacent transmission businesses under a TA scheme, with auctions still taking place for access. . This could simplify the cross border arrangements and be more compatible with those in the rest of Europe. Care would need to be taken though with the current Anglo-French interconnector and the extant agreements, notably the Protocol.
19. It was AGREED that SD should convert the information and questions expressed in the presentation into the tabular assessment format discussed for the application of transmission arrangements to generation.

**Action: SD**

## 5 Next Steps

### i) Anticipated subject headings for next meeting on 22/11/02:

- **Consideration of Demand Side Models**

20. It was AGREED that most of the next meeting should be devoted to consideration of demand side models.

### ii) Anticipated Subject Headings for meeting on 6/12/02:

- **Consideration of Draft Final Report to CUSC Panel**

21. It was AGREED that, as far as could be judged at this stage, the meeting on 6 December should concentrate on finalising the Group's report to the CUSC Panel.

- **Other Issues**

22. The Group AGREED that consideration of the tasks remitted to it by the

CAP043 Working Group should be undertaken at the next meeting of the Group.

23. The Group AGREED that the acting Chairman and the Secretary should consult the Chairman of the CUSC Panel and Panel Members not at this TASG meeting to canvass opinions on the prospect of holding a brief meeting of the CUSC Panel on 22 November so that the TASG meeting scheduled after the Panel could start as early as possible given the extent of the outstanding work which the Group needed to undertake.

**Action: MT/RD**

24. The Group AGREED that the acting Chairman and the Secretary should also explore the possibility of arranging another meeting of the Group in the week commencing 25 November, with that date preferred for such a meeting, should it not be possible to agree on a short Panel meeting on 22 November.

**Action: MT/RD**

(NB: It was subsequently agreed with the Panel Chairman and other Panel Members that the CUSC Panel meeting on 22 November should be brief in order to clear the way for an early start to the next TASG and this has been reflected in the agenda issued on 14 November for the CUSC Panel meeting. No additional meeting of the Group in the week commencing 25 November has therefore been arranged).

### **6 Any Other Business**

25. There was no other business.

### **7 Date of Next Meeting**

26. 22<sup>nd</sup> November at Brandon Hall Hotel, Brandon, Coventry (following the CUSC Panel meeting).